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Montana. Teachers'  
Retirement System  
Handbook of  
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# MONTANA TEACHERS' RETIREMENT SYSTEM

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Handbook of  
Information  
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## OFFICE LOCATION

Teachers' Retirement System Building  
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Helena, Montana 59601  
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## THE TEACHERS' RETIREMENT BOARD

MEMBER	TERM EXPIRES
JAMES E. BURKE . . . . .	July 1, 1984
Realtor, Livingston	
DR. GEORGE GLOEGE . . . . .	July 1, 1981
Retired Member, Billings	
J. WILLIAM KEARNS, Jr. . . . .	July 1, 1981
Banker, Townsend	
LEROY CORBIN . . . . .	July 1, 1982
Teacher, Butte	
DR. HAROLD WENAAS . . . . .	July 1, 1983
Superintendent, Great Falls	
GEORGIA RICE . . . . .	Ex Officio
Superintendent of Public Instruction	

## ADMINISTRATIVE OFFICERS

F. ROBERT JOHNSON . . . . .	Executive Secretary
STEVE A. BENNYHOFF . . . . .	Asst. Executive Secretary

## FORWARD

The Montana Teachers' Retirement System was established by state law in 1937. The System has grown from its initial enrollment of 3,367 members to over 15,000 active members, and now has assets in excess of \$175,000,000. A total of 4,358 members and beneficiaries receive retirement, disability, or survivor benefits of over \$18,000,000 each year.

The benefits provided by the System are jointly funded by each member and his employer. Over the years many changes and improvements have been enacted through legislation. In order to maintain the actuarial soundness of the System, increases in the employer's contribution rate has increased with each major improvement since 1945 to the current rate of  $6 \frac{5}{16}\%$ . The employee rate remained at 5% from 1937 to 1973 when it increased to  $5 \frac{1}{8}\%$ . Effective July 1, 1975, the employee contribution rate increased to  $6 \frac{1}{8}\%$ , and on July 1, 1977 to  $6 \frac{3}{16}\%$ .

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## ADMINISTRATION

The governing body of the Teachers' Retirement System of the State of Montana is the Retirement Board whose names are listed on page i of this booklet.

The Board is composed of the Superintendent of Public Instruction, two members appointed from the teaching profession who are members of the System, two persons appointed as representatives of the public, and one person who is a retired teacher.

The Board employs administrative officers and a staff to conduct the business of the System.

The State Investment Board invests the funds of the System in various securities permitted by law. These investments are segregated from other state funds. The Treasury Division of the Department of Administration is the custodian of the securities owned by the System, and of the collected Retirement System monies.

The powers and duties of the Retirement Board are as follows:

- (1) Establish rules and regulations necessary for the proper administration and operation of the Retirement System.
- (2) Elect a chairman from its membership.
- (3) Appoint a secretary who may be one of its members.
- (4) Employ technical or administrative employees who are necessary for the Retirement System.
- (5) Approve or disapprove all expenditures necessary for the proper operation of the Retirement System.
- (6) Keep a record of all its proceedings which shall be open to public inspection.

- (7) Publish a biennial report by January 1 of each year the legislature meets, which reports in detail the fiscal transactions for the two fiscal years immediately preceding the report due date, the amount of accumulated cash and securities of the System, and the last fiscal year balance sheet showing the assets and liabilities of the Retirement System, and submit the biennial report to the Governor and furnish copies to the legislature.
- (8) When the Retirement Board considers it necessary, designate a medical board to be composed of three physicians who are not eligible to participate in the Retirement System to investigate and report to the Retirement Board on all medical matters relating to the administration of the Retirement System.
- (9) Keep in convenient form that data which is necessary for actuarial valuation of the various funds of the Retirement System and for checking the experience of the Retirement System.
- (10) Designate an actuary to assist the Retirement Board with the technical actuarial aspects of the Retirement System, which includes establishing mortality and service tables and making an actuarial investigation at least once every five years into the mortality, service, and compensation experience of the members and beneficiaries of the Retirement System.
- (11) Prepare an annual valuation of the assets and liabilities of the Retirement System.
- (12) Determine the eligibility of a person to become a member of the Retirement System in accordance with the provisions of 19-4-302 MCA.
- (13) Prescribe a form for membership application which will provide adequate and necessary information for the proper operation of the Retirement System.

- (14) Adopt policies for the determination of creditable service in the Retirement System implementing the following guidelines:
  - (a) One year's creditable service shall be awarded for each year of full-time service, outside of vacation periods, but no more than one year's creditable service shall be awarded for service during the same school fiscal year.
  - (b) Not more than one month's creditable service shall be awarded for one or more continuous months of absence without pay.
- (15) Grant retirement, disability, and other benefits under the provisions of 19-4-701 MCA.
- (16) Annually determine the rate of regular interest as prescribed in 19-4-501 MCA.
- (17) Establish and maintain the funds of the Retirement System in accordance with the provisions of 19-4-601 MCA.
- (18) Perform such other duties and functions as are required to properly administer and operate the Retirement System.

## **MEMBERSHIP**

Membership in the Retirement System is compulsory. Excuse from membership can be applied only to a person who teaches less than 30 days during the absence of a regular teacher.

Membership applies to all persons employed as teachers, librarians, physical education directors, school nurses, principals, vice-principals, supervisors, superintendents, county superintendents of schools, and any other member of the teaching or professional staff of any public school, elementary school, or high school in the State of Montana, and any member of the administrative, instructional, or scientific staff of the units of the University System. It also applies to any person employed in the office of, or by, the State Superintendent of Public Instruction in duties pertaining to instructional services, and any member of the instructional staffs of various state custodial institutions.

## **EXEMPTION FROM MEMBERSHIP**

At the time of passage of the original law in 1937 and its later amendments to admit the University System, a teacher was permitted to choose membership or nonmembership. In each case, the period of option lasted only three months. Those exercising the option of nonmembership are the only teachers exempt from membership. A list of these teachers is maintained at the Retirement Office.

## **FULL-TIME SERVICE**

“Full-time service” means service which is full-time and which extends over a normal academic year of at least nine months. With respect to those members employed by the Office of the Superintendent of Public Instruction, any other state agency or institution, or the office of a county superintendent, “full-time service” means service which is full-time and which totals at least nine months in any one year.

## **PART-TIME SERVICE**

“Part-time service” means service which is less than full-time or which totals less than nine months in any one year. Part-time service shall be credited in the proportion that the actual time worked bears to full-time service.

## **CONTRIBUTIONS**

### **MEMBER'S SHARE**

Six and three-sixteenths (.06187) percent of your monthly salary is deducted by your employer and is sent to the Retirement System to be credited to your individual account.

### **EMPLOYER'S SHARE**

Your employer pays an amount equal to six and five-sixteenths (.06312) percent of your salary to the Retirement System. This contribution is not allocated to the member, but is placed in a fund which provides that portion of your benefit not funded by your retirement account.

## **INTEREST CREDITS AND CHARGES**

Effective July 1, 1980, interest will be computed on each monthly balance at the rate of seven percent, compounded annually. The interest rate is not fixed by law, but is set by the Retirement Board annually in direct relation to the interest earnings of the System.

On redeposit of withdrawals, interest will accrue from July 1, 1971, or from the date of withdrawal, if it was after July 1, 1971.

On the purchase of out-of-state service, interest will accrue from July 1, 1971, or from the date you become eligible to purchase this service, if after July 1, 1971.

On purchase of creditable service while on leave and on military service, interest will accrue from July 1, 1973, or from the date you become eligible to purchase the service, if after July 1, 1973.

If payment for redeposit of withdrawals or purchase of additional creditable service is made in full before June 30 of the fiscal year in which interest began to accrue, the interest will not be charged.

The chargeable rate of interest will be the same rate set by the Retirement Board to be credited to your retirement account.

## **VESTED RIGHT**

You have a vested right in the Retirement System after the completion of five years of service in Montana for which contributions have been paid. With a vested right, you are entitled to retirement, disability, and death benefits as described below, if you are otherwise qualified.

If you cease to be employed in a position which would qualify you for membership in the System, you will retain your vested right, provided you do not withdraw your contributions from the System.

## BENEFITS

The Teachers' Retirement System provides not only retirement benefits, but also substantial death and disability benefits. The formula from which these three benefits are calculated is:

$$\text{ANNUAL BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{FINAL AVERAGE COMPENSATION}$$

(This annual benefit will be paid in 12 equal monthly installments.)

The formula is independent of sex, age, and the amount of your retirement account, and depends only on your creditable service and final average compensation, which are determined as follows:

**Final Average Compensation** means the average of the "earned compensation" of a member during the three consecutive years of full-time service which yield the highest average and on which contributions have been made.

**Earned Compensation** means the full compensation, pay, or salary actually paid to a member and reported to the Retirement System, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. The employer shall fix the value of any compensation paid in kind. The earned compensation of a member who had less than three consecutive years of full-time service during the five years preceeding his retirement is the compensation, pay, or salary which he would have earned had his part-time service been full-time service. The earned compensation of a member who has been awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay, or salary which he would have received had he completed the full year.

### CREDITABLE SERVICE

Creditable service can be obtained from seven sources. It will generally be to your advantage to obtain as much credit as possible from each of these sources. All years of service may be credited until you attain 70 years of age.



**(1) MEMBERSHIP SERVICE**

Membership service consists of all teaching service in Montana since 1937 for which contributions have been paid and which remain on deposit. As noted earlier, five years of such service gives you a vested right in the System.

**(2) PRIOR SERVICE**

Prior service includes all teaching in Montana prior to September 1, 1937, the date of the establishment of the System. Credit for this service can be obtained at no cost to you provided you have a vested right. Verification of this service is required. Please request forms from this office.

**(3) MILITARY SERVICE**

If you were a member prior to July 1, 1971, active service in the Army, Air Force, Navy, Marines, Merchant Marine, or Red Cross during World War II from October, 1940, through June, 1947, and the Korean Conflict from June, 1950, through January, 1955, may be credited as prior service without cost, provided you have a vested right. In order to receive credit for this service, you must provide this office with a copy of your military papers showing your dates of entry on active duty and separation from service.

If you became a member after July 1, 1971, or if your military service was not performed during the above periods, up to two years of active military service may be purchased after you have a vested right with the System. The cost is an amount equal to the combined employee-employer rate in effect at the time you become eligible to purchase such service of your first full year's teaching salary earned in Montana following the active service for each year purchased. Interest will be charged on the purchase of this service from the time you become eligible for this purchase.

#### **(4) OUT-OF-STATE TEACHING SERVICE**

When you have been credited with five years of membership service following out-of-state teaching service, you may purchase a maximum of five years of out-of-state service provided such service would have been acceptable under the provisions of the law if such service were performed in Montana. The cost is an amount equal to the employee contribution rate in effect at the time you become eligible to purchase such service of your first full year's teaching salary after returning to Montana for each year you wish to receive credit. If you were employed in Montana prior to July 1, 1967, and have not withdrawn your account, you may purchase up to ten (10) years of out-of-state teaching credit provided you have ten (10) years of Montana service following the out-of-state service. Interest will be charged on purchase of this service from the time you become eligible for purchase.

Individuals who become members of the System on or after July 1, 1979 and have completed five years of membership service following their out-of-state teaching service may purchase the out-of-state service at a cost equal to the combined employee-employer contribution rate in effect at the time of eligibility. This rate would then be multiplied by the first full year's teaching salary in Montana following the out-of-state teaching service to determine the cost per year.

#### **(5) SERVICE WHILE ON LEAVE**

You may purchase up to two (2) years service while on leave, conditional upon your having been a member prior to the leave and upon completing five (5) years of active membership in Montana subsequent to your return. The cost is an amount equal to the combined employee-employer rate in effect at the time you become eligible to purchase such service of your first full year's teaching salary following your return for each year purchased. Interest will be charged on the purchase from the time you become eligible for purchase.



Those members joining the System after July 1, 1973, may not exceed a total of five (5) years creditable service for out-of-state service, military service, or service while on leave.

#### **(6) REPAYMENT OF WITHDRAWALS**

If you were a member of the System and withdrew your contributions on one or more occasions, you may redeposit the amounts withdrawn and receive credit for the service represented. All withdrawals must be redeposited before credit can be reinstated. You must be a member of the System to redeposit previous withdrawals. Should you desire to repay amounts previously withdrawn, write to this office. You will be notified of the redeposit required and the service that will be reinstated after completing payment. Interest will be charged on redeposits. (See "Interest Credits and Charges" on page 5.)

Periodic payments for all purchasable service will be accepted. Arrangements for payroll deduction must be made through your payroll department.

#### **(7) TRANSFER OF MEMBERSHIP**

If you cease teaching and take a position covered by the Public Employees' Retirement System, you may transfer your retirement coverage from the Teachers' Retirement System to the Public Employees' Retirement System, or vice-versa. Upon application to the System in which your account is maintained, your account will be transferred from the other System.

### **RETIREMENT BENEFITS**

If you have ceased teaching in Montana, you may apply for retirement benefits provided:

- (1) You have been credited with full or part-time service of 30 or more years, in which case you are eligible for retirement regardless of age.
- (2) You have at least five (5) years of creditable service, the last five of which shall have been in Montana.

- (3) Any member who has more than five (5) years, but less than 30 years of creditable service, can retire as early as age 55. The normal retirement age is 60, however, a member with less than 30 years of creditable service can retire at age 55 at a reduced benefit. The reduction is one-half of one percent (.5%) multiplied by the number of months which the retirement date precedes the date on which the member would have retired had he or she attained sixty (60) years of age or completed thirty (30) years of creditable service.
- (4) Retirement is compulsory on the first day of September following your 70th birthday, unless you are a member of the University System and extension of your service has been recommended by the President of the unit to the Board of Regents. In this case you cannot contribute further to the System nor receive any additional retirement credits beyond the year in which you attain age 70.

Please note that there is no minimum retirement age for a member who has 30 or more years of creditable service. A member who has less than 30 years of service must wait until age 55 to retire, and then at a reduced benefit. For example, an individual who retires at age 55 with 28 years of service would have his/her benefit reduced 12%. (30 years minus 28 years = 2 years or 24 months  $\times$  .005, or 12%). A member who retires at age 55 with 23 years of service would experience a reduction of 30%. (Age 60 minus age 55 = 5 years or 60 months  $\times$  .005, or 30%.)

Also, a member receives credit for all service up to the time of retirement. For example, a member who has 40 years of creditable service at the time of retirement would be allowed to use 40 years of creditable service in the calculation of benefits.

The retirement benefit is determined by the formula:

$$\text{RETIREMENT BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{FINAL AVERAGE COMPENSATION}$$

(see page 16)

The minimum benefit is \$2,400.00 with 30 years of service, and a proportionate reduction for lesser service. This benefit will be payable during your lifetime (Normal Form, see Table A on page 16). Other options may be elected (as described later).

## **EFFECTIVE RETIREMENT DATE**

The effective date of your retirement will be:

- (1) July 1 if you retire at the end of a school year, since the school term is considered to be July 1 to June 30.
- (2) The first of the month following the cessation of your teaching if you retire during the school term.
- (3) The first of the month following your 60th birthday, or the first of the month following your 55th birthday if you elect early retirement.

Although retirement benefits accrue from the first of the month, they are paid at the end of the month. Payments are always mailed from Helena on the last working day of each month.

## **EARNINGS AFTER RETIREMENT**

Any retired member may be employed as a part-time or substitute teacher in Montana and may earn, without loss of retirement benefits, the greater of: 1) an amount not to exceed  $\frac{1}{4}$  of his average final compensation, or 2)  $\frac{1}{4}$  of the median of the average final compensation for members retired during the preceding fiscal year as determined by the Retirement Board.

You are not limited to the amount you earn in any employment that would not qualify you as a member of the System.

## DISABILITY BENEFITS

If you become disabled and cannot continue to teach, you may be eligible for disability benefits provided:

- (1) You have a vested right in the System.
- (2) You were an active member at the time of your disability.
- (3) You are declared physically or mentally incapacitated for the further performance of your duties, and that such disability is likely to be permanent. A physician's statement is required.
- (4) The Retirement Board has approved the disability application.

The effective date of the disability benefit will be the first of the month following the date of disability. The benefits will continue throughout the continuance of the disability.

The disability benefit is determined by the formula:

$$\text{DISABILITY BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{FINAL AVERAGE COMPENSATION}$$

The minimum disability benefit will be  $\frac{1}{4}$  of the final average compensation. This benefit will be payable during your lifetime while disabled, if the Normal Form benefit is elected. However, in the event of your death prior to receiving benefits equal to your retirement account, the balance would be payable in a lump sum to your beneficiary. Optional forms of payments may be elected (as described later).

If you are receiving disability benefits, you may return to employment provided your earnings do not exceed your final average compensation, in which event your disability benefits will cease. If your earnings are less than your final average compensation, the disability benefits will be adjusted, such that, in no event will your disability benefits plus earnings exceed your final average compensation.

From time to time the Retirement Board may require a physician's certification of your continued disability.

## DEATH BENEFIT

If an active member dies, whether or not he had a vested right, his beneficiary may elect to receive a lump sum refund of his personal contributions plus interest. If the member has a vested right, his beneficiary may elect to receive, in lieu of the refund, a survivor's benefit.

The effective date of the survivor's benefit will be the first of the month following the date of the member's death.

For members of the System prior to July 1, 1973, the survivor's benefit is determined by the following formula with adjustment for the age of the beneficiary in relation to the member's age at death. If the beneficiary is older, the amount will be larger. If the beneficiary is younger, the amount will be less:

$$\text{SURVIVOR'S BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{FINAL AVERAGE COMPENSATION}$$

The survivor's benefit for members of the System on July 1, 1973 or after, would be determined by the above formula and then adjusted for the factors shown under Option A on page 17.

This benefit will be payable during the beneficiary's lifetime and cease upon his death. No optional forms are available.

In addition to this benefit, each surviving child of a deceased member who was an active member in the State of Montana within one (1) year prior to his death will receive a child's benefit of \$100.00 per month until the child has attained age 18. The last payment will be made in the month in which age 18 is attained.

If a member was active within one (1) year of his death, and has a vested right, his beneficiary will receive a five hundred dollar (\$500.00) death benefit in addition to all other benefits payable.

## OPTIONAL FORMS OF RETIREMENT BENEFITS

There are many forms in which you may elect to receive your retirement or disability benefits. Once the benefit is in effect, the form elected is permanent and cannot be changed. Therefore, it is important that a careful study be made prior to retirement regarding your future financial commitments. The staff of The Teachers' Retirement Division is available to assist as much as possible in making the best decision, but will not recommend a choice.



There are several facts to consider regarding the optional forms available to you:

- (1) The survivor's benefits described earlier are available only to active members.
- (2) The amount of your monthly retirement benefit will depend upon the optional form you elect. Usually the largest amount is payable under the Normal Form which is the basic formula illustrated earlier. Under the Options, the amount of the reduced benefit will depend on both your age and your beneficiary's age.
- (3) Estimates of the amount payable under each of the options can be requested from this office. Please provide your beneficiary's birthdate as well as your current salary.

**NORMAL FORM: Life Only Annuity**

This benefit will be payable during your lifetime. In the event of your death prior to receiving benefits equal to your account balance at retirement (your contributions plus interest) the remainder will be refunded to your beneficiary.

**OPTION A: Joint and Full to Beneficiary**

This benefit will be payable during your lifetime. Upon your death, your beneficiary, if living, will continue to receive the same amount during the remainder of his lifetime.

**OPTION B: Joint and One-Half to Beneficiary**

This benefit will be payable during your lifetime. Upon your death, your beneficiary, if living, will receive  $\frac{1}{2}$  of that benefit during the remainder of his lifetime.

**OPTION C: Joint and Two-Thirds to Beneficiary**

This benefit will be payable during your lifetime. Upon your death, your beneficiary, if living, will receive  $\frac{2}{3}$  of that benefit during the remainder of his lifetime.

**OPTION D: Joint and One-Half to Survivor**

This benefit will be payable while both you and your beneficiary are living. Upon the death of either, the survivor will receive  $\frac{1}{2}$  of that benefit during the remainder of his lifetime.

**OPTION E: Joint and Two-Thirds to Survivor**

This benefit will be payable while both you and your beneficiary are living. Upon the death of either, the survivor will receive  $\frac{2}{3}$  of that benefit during the remainder of his lifetime.

**OPTION F: Special Plan**

Any actuarial equivalent mutually agreed upon between the member and the Retirement Board.

TABLE A illustrates the benefits payable under NORMAL FORM of retirement. TABLE B illustrates the benefits payable under Options A, B, C, D, and E and are expressed as percentages of the NORMAL FORM.

Examples of monthly benefits paid under Options A, C, and E, with the following assumptions:

(1) YEARS OF SERVICE	30
(2) FINAL AVERAGE SALARY	\$12,000
(3) MEMBER'S AGE	60
(4) BENEFICIARY'S AGE	57
(5) MONTHLY BENEFIT—NORMAL FORM	\$500
	$(30/60 \times \$12,000 \div 12)$

**OPTION A: Monthly Benefit**

$$\$500.00 \times 85.24^* = \$426.20$$

Upon the death of the member, the same amount (\$426.20) would continue throughout the lifetime of the beneficiary.

\*From Table B.

# TABLE A ILLUSTRATION OF MONTHLY BENEFITS - NORMAL FORM

.....FINAL AVERAGE SALARY.....

YEARS OF SERVICE	1,000	10,000	11,500	13,000	14,500	16,000	17,500	19,000	20,500	22,000	23,500	25,000
5	6.94	69.44	79.86	90.28	100.69	111.11	121.53	131.94	142.36	152.78	163.19	173.61
10	13.88	138.89	159.72	180.55	201.38	222.22	243.05	263.89	284.72	305.55	326.39	347.22
11	15.28	152.78	175.69	199.61	221.53	244.44	267.36	290.28	313.19	336.11	359.03	381.94
12	16.67	166.67	191.67	216.67	241.67	266.67	291.67	316.67	341.67	366.67	391.67	416.67
13	18.05	180.55	207.64	234.72	261.80	288.89	315.97	343.05	370.14	397.22	424.30	451.39
14	19.44	194.44	223.61	252.78	281.94	311.11	340.28	369.44	398.61	427.78	456.94	486.11
15	20.83	208.33	239.58	270.83	302.08	333.33	364.58	395.83	427.08	458.33	489.58	520.83
16	22.22	222.22	255.55	288.89	322.22	355.55	388.89	422.22	455.55	488.89	522.22	555.55
17	23.61	236.11	271.53	306.94	342.36	377.78	413.19	448.61	484.03	519.44	554.86	590.28
18	25.00	250.00	287.50	325.00	362.50	400.00	437.50	475.00	512.50	550.00	587.50	625.00
19	26.39	263.89	303.47	343.05	382.64	422.22	461.80	501.39	540.97	580.55	620.14	659.72
20	27.78	277.78	319.44	361.11	402.78	444.44	486.11	527.78	569.44	611.11	652.78	694.44
21	29.17	291.67	335.41	379.16	422.91	466.67	510.41	554.16	597.91	641.66	685.41	729.16
22	30.55	305.55	351.39	397.22	443.05	488.89	534.72	580.55	626.39	672.22	718.05	763.89
23	31.94	319.44	367.36	415.28	463.19	511.11	559.03	606.94	654.86	702.78	750.69	798.61
24	33.33	333.33	383.33	433.33	483.33	533.33	583.33	633.33	683.33	733.33	783.33	833.33
25	34.72	347.22	399.30	451.39	503.47	555.55	607.64	659.72	711.80	763.89	815.97	868.05
26	36.11	361.11	415.28	469.44	523.61	577.78	631.94	686.11	740.28	794.44	848.61	902.78
27	37.50	375.00	431.25	487.50	543.75	600.00	656.25	712.50	768.75	825.00	881.25	937.50
28	38.89	388.89	447.22	505.55	563.89	622.22	680.55	738.89	797.22	855.55	913.89	972.22
29	40.28	402.78	463.19	523.61	584.03	644.44	704.86	765.28	825.69	886.11	946.53	1006.94
30	41.67	416.67	479.16	541.66	604.16	666.67	729.16	791.66	854.16	916.66	979.16	1041.66
31	43.05	430.55	495.14	559.72	624.30	688.89	753.47	818.05	882.64	947.22	1011.80	1076.39
32	44.44	444.44	511.11	577.78	644.44	711.11	777.78	844.44	911.11	977.77	1044.44	1111.11
33	45.83	458.33	527.08	595.83	664.58	733.33	802.08	870.83	939.58	1008.33	1077.08	1145.83
34	47.22	472.22	543.05	613.89	684.72	755.55	826.39	897.22	968.05	1038.89	1109.72	1180.55
35	48.61	486.11	559.02	631.94	704.86	777.77	850.69	923.61	996.52	1069.44	1142.36	1215.27



**TABLE B**  
**OPTIONAL BENEFITS EXPRESSED AS PERCENTAGES OF NORMAL FORM**

DIFFERENCE IN AGES	MEMBER OLDER THAN BENEFICIARY					MEMBER YOUNGER THAN BENEFICIARY				
	OPTION A	OPTION B	OPTION C	OPTION D	OPTION E	OPTION A	OPTION B	OPTION C	OPTION D	OPTION E
0	87.05	93.08	90.98	100.00	95.28	87.05	93.08	90.98	100.00	95.28
1	86.45	92.73	90.54	99.03	94.45	87.66	93.43	91.42	101.02	96.14
2	85.84	92.38	90.09	98.11	93.65	88.27	93.77	91.86	102.09	97.03
3	85.24	92.03	89.65	97.24	92.88	88.88	94.11	92.30	103.22	97.95
4	84.64	91.68	89.21	96.42	92.15	89.48	94.45	92.73	104.41	98.90
5	84.06	91.34	88.78	95.65	91.45	90.07	94.77	93.15	105.65	99.89
6	83.48	91.00	88.35	94.92	90.77	90.65	95.10	93.57	106.95	100.90
7	82.92	90.66	87.92	94.22	90.13	91.22	95.41	93.97	108.32	101.95
8	82.37	90.33	87.51	93.57	89.51	91.78	95.71	94.36	109.74	103.02
9	81.83	90.00	87.10	92.95	88.92	92.32	96.01	94.74	111.22	104.12
10	81.30	89.69	86.70	92.36	88.35	92.84	96.29	95.11	112.76	105.24
11	80.79	89.37	86.32	91.80	87.81	93.34	96.56	95.46	114.35	106.37
12	80.29	89.07	85.94	91.27	87.29	93.82	96.81	95.97	115.97	107.51
13	79.81	88.77	85.57	90.76	86.79	94.28	97.05	96.11	117.63	108.66
14	79.34	88.48	85.21	90.28	86.31	94.71	97.28	96.41	119.34	109.82
15	78.89	88.20	84.86	89.93	85.86	95.13	97.50	96.70	121.10	111.00
16	78.45	87.92	84.52	89.40	85.42	95.52	97.71	96.97	122.91	112.19
17	78.03	87.66	84.20	88.99	85.01	95.89	97.90	97.22	124.77	113.39
18	77.63	87.40	83.88	88.60	84.62	96.24	98.08	97.46	126.66	114.59
19	77.24	87.16	83.58	88.24	84.24	96.56	98.25	97.68	128.57	115.78
20	76.87	86.92	83.29	87.90	83.89	96.86	98.40	97.88	130.48	116.95
21	76.51	86.69	83.01	87.58	83.55	97.14	98.55	98.07	132.39	118.10
22	76.17	86.48	82.75	87.27	83.23	97.39	98.68	98.25	134.29	119.23
23	75.85	86.27	82.49	86.99	82.92	97.63	98.80	98.41	136.20	120.35
24	75.54	86.07	82.25	86.72	82.65	97.85	98.91	98.56	138.11	121.45
25	75.25	85.88	82.02	86.47	82.38	98.05	99.02	98.69	140.02	122.53

**OPTION C: Monthly Benefit**

$$\$500.00 \times 89.65^* = \$448.25$$

\$448.25 is payable as long as the member is living. Upon the death of the member, the beneficiary would receive two-thirds, or \$298.85, throughout the lifetime of the beneficiary.

**OPTION E: Monthly Benefit**

$$\$500.00 \times 92.88^* = \$464.40$$

\$464.40 is payable as long as both the member and the beneficiary are living. Upon the death of either the member or the beneficiary, the survivor would receive  $\frac{2}{3}$ , or \$309.61.

\*From Table B.

## **REFUNDS**

If you are no longer employed in a position which would qualify you as a member of the System, you may request a refund of your personal contributions. Termination of a contract does not automatically qualify you for a refund. If you leave a school district for employment in another, you are not eligible for a refund.

Interest will be paid upon withdrawals after July 1, 1973.

If you are eligible and request a refund, you will be sent the necessary application form. No refund will be made until all contributions have been received from the employer.

If your account represents at least five years of service, you may not wish to withdraw. (See "Vested Right" on page 5.)

## **SOCIAL SECURITY COVERAGE**

Most teachers in Montana have social security coverage. Benefits provided by the Teachers' Retirement System are independent of, and in addition to, any social security benefits you may be entitled to receive.

Information regarding social security benefits should be obtained from your local social security office.

# TAX-DEFERRED ANNUITY PROGRAM

## INTRODUCTION

In 1958 the Internal Revenue code was amended to permit certain tax-exempt employers to deduct a portion of an employee's salary to be contributed to a tax-deferred annuity contract. Sums so deducted were considered nontaxable to the employee at the time the deduction was made. In 1967, the Internal Revenue Service ruled that contributions on your behalf to a separate fund maintained by a state teachers' retirement system for the purchase of additional retirement benefits unrelated to the basic benefits may constitute contributions toward a tax-deferred annuity contract. The Teachers' Retirement System has established a separate fund for this purpose.

The tax-deferred annuity program is not a program of tax forgiveness, but rather it is designed to delay taxation on a portion of your current income until such time as benefits are received from the program.

## ELIGIBILITY

- (1) You must be an active member of the Retirement System.
- (2) The Board of Education, Board of Regents, or other governing body must have adopted an official resolution extending to its employees the opportunity to participate in this program.
- (3) You must enter into a "salary reduction agreement" with the governing board authorizing the board to reduce your salary by a stated amount. The contributions to the program must be made by the employer; it is not possible for you to make the contributions directly. You are not permitted to make more than one agreement with the same employer during the same tax year; however, you may be permitted to terminate the agreement for amounts not yet earned.

## **CONTRIBUTIONS**

The maximum amount which you may contribute will vary with each individual situation. The Internal Revenue Service establishes the rules and regulations concerning maximum contributions, and we suggest you contact that agency for assistance.

## **INTEREST**

Interest is credited each year on June 30 and is computed on each monthly balance. The current rate is 7 percent, compounded annually. The interest rate is not fixed by law, but is set by the Board annually in direct relation to the interest earnings of the System.

## **ADMINISTRATIVE EXPENSE**

There are no administrative charges or initiation fees required for participation in this program. The expenses are paid from investment income.

## **RIGHTS NON-FORFEITABLE**

Your rights under this program are non-forfeitable. There are no contingencies which would cause you to lose your rights to any benefits provided by your contributions. If you should elect to discontinue your participation in the program, or become employed in a position which would not qualify you as a member of the System, you may elect to leave your contributions in your account and continue to enjoy a tax shelter on them. Your contributions would continue to earn interest and benefits would be payable at retirement age.

## **BENEFITS**

The amount of benefits provided by your tax-deferred annuity program will depend upon your age at retirement, your account balance at retirement, and the form of benefit payment which you elect. The benefits will be determined from actuarial tables approved by the Retirement Board. The optional forms of payment under the retirement program are available under the Tax Deferred Annuity Program. Typical examples of amounts payable and accumulated accounts are given at the end of this section.

## WITHDRAWALS

There are no loan provisions under this tax-deferred annuity program. Because of restrictions placed on the program by the Internal Revenue Service, it is not possible for a participant to receive a full or partial refund of his account and still participate in the program. In the event you wish to discontinue your participation in the program, you may elect to receive a lump sum refund of your account balance including your personal contributions plus interest accrued to date.

### TABLE I

#### MONTHLY PAYMENT AT RETIREMENT PER \$1,000 OF ACCUMULATED CONTRIBUTIONS

**REFUND ANNUITY**—Benefits payable during your lifetime. Upon your death, balance of account will be payable to your beneficiary.

RETIREMENT AGE	MONTHLY BENEFIT PER \$1,000
55	7.14
56	7.23
57	7.32
58	7.43
59	7.53
60	7.66
61	7.78
62	7.91
63	8.05
64	8.19
65	8.36
66	8.52
67	8.69
68	8.87
69	9.05
70	9.25

The above rates are based on the expectancy of life and an assumed interest rate of 7%. Each year, a 13th check may be paid to adjust for any difference between the annual rate set by the Board and the assumed rate of 7%.

## TABLE II

Projected Account Balance at Age 60 and 65  
Assuming \$1,000 Annual Contributions

### VARIOUS INTEREST RATES

#### AGE 60

CURRENT AGE	6%	7%	8%
25	111,434.78	138,236.88	172,316.78
30	79,058.19	94,460.79	113,283.20
35	54,864.51	63,249.04	73,105.93
40	36,785.59	40,995.49	45,761.96
45	23,275.97	25,129.02	27,152.11
50	13,180.79	13,816.45	14,486.56
55	5,637.09	5,750.74	5,886.60

#### AGE 65

CURRENT AGE	6%	7%	8%
25	154,761.97	199,635.11	259,056.48
30	111,434.78	138,236.88	172,316.78
35	79,058.19	94,460.79	113,283.20
40	54,864.51	63,249.04	73,105.93
45	36,785.59	40,995.49	45,761.96
50	23,275.97	25,129.02	27,152.11
55	13,180.79	13,816.45	14,486.56
60	5,637.09	5,750.04	5,886.60



## TAXATION OF YOUR BENEFITS

Retirement, disability, and death benefits payable under provision of the Retirement System are subject to federal income tax laws. The information provided below is general and may not apply in your individual case. You should contact your attorney, accountant, or local Internal Revenue office to obtain tax information regarding your benefits.

### STATE TAXES

The retirement law provides that any benefits accrued or accruing under the provisions of the Retirement System are exempt from any state, county, or municipal tax of the State of Montana.

### FEDERAL INCOME TAX

All benefits, except those provided by your personal contributions, are subject to federal income tax as ordinary income in the year received. Since your personal contributions have already been taxed, benefits provided by them are not subject to tax.

The Internal Revenue Service has two methods of determining the taxable benefits:

#### **(1) THREE YEAR COST RECOVERY RULE**

If the benefits received in the first three years equal or exceed your cost (total personal contributions), all benefits until they equal your cost are excludable from gross income. All benefits received thereafter are fully taxable as ordinary income. Most members will recover their cost within three years, and this method will apply.

#### **(2) REGULAR ANNUITY RULE**

If the benefits received in the first three years are less than your cost, a portion of each benefit received during your lifetime will be excluded from your gross income. If this method applies, you should contact your local Internal Revenue office for their rules and schedules.

Additional tax exemptions may be available for disability benefits. Again, you should contact your local Internal Revenue office for this information.

The tax treatment noted above applies only to the retirement program. Any benefits received under a tax-deferred annuity program are normally taxed in full since your contributions will usually have been made with "before-tax" dollars.

The Teachers' Retirement System will not advise you as to when or how much of your retirement benefit is subject to federal income tax. This is the responsibility of the retired member. One time only after retiring, you will receive an informational tax letter which explains the taxation of your benefit as well as giving you the total amount of your personal contributions (cost basis). The contribution amount is not equal to your account balance, since your account balance includes interest which has been credited to your account and the interest is not excludable for federal income tax purposes.

In addition, by January 31 of each year, you will receive Form W-2P, which gives you the total benefit you have received during the preceding calendar year. Therefore, the tax letter and Form W-2P provide you with the information necessary to calculate when and how much of your benefit will be subject to federal income tax.

Federal income tax is not automatically withheld from your retirement benefit. Upon authorization by the retired member on the proper form, a specified amount can be withheld from your retirement benefit. These forms are available from the Teachers' Retirement System upon request.



## QUESTIONS AND ANSWERS

### YOUR RETIREMENT ACCOUNT

*(1) MAY I BORROW FROM MY ACCOUNT?*

No, the retirement law has no provision for personal loans. Your account can be withdrawn only upon termination. (See "Refunds" on page 18).

*(2) CAN MY BENEFITS BE GARNISHEED?*

No, the retirement law provides that any benefits accrued or accruing are not subject to garnishment, execution, or attachment.

*(3) IF I HAD PREVIOUSLY WITHDRAWN MY ACCOUNT AND REDEPOSITED THAT AMOUNT, WILL THE INTEREST WHICH I HAD FORFEITED BE REINSTATED?*

Yes.

### SERVICE

*(1) WHAT ADVANTAGES ARE THERE IN TAKING IMMEDIATE STEPS TO OBTAIN CREDIT FOR ALL SERVICE TO WHICH I MAY BE ENTITLED?*

(a) In the event of your death, the survivor's benefit will be based on the number of years which has been credited to your account at the time of your death. If you die prior to completing payment for out-of-state service or redeposit of withdrawals, the service represented by payments received prior to your death will be credited.

(b) If your previous withdrawals are redeposited, the years represented may be used to determine your vested right.

(c) Interest charged will accrue each year the purchase of out-of-state service and redeposit of withdrawals is delayed.

*(2) CAN I RECEIVE CREDIT FOR MILITARY SERVICE DURING THE VIET NAM WAR?*

You may purchase up to two years of military service performed after January 31, 1955. (See page 7).

*(3) WHAT IS THE MAXIMUM AMOUNT OF SERVICE WITH WHICH I CAN BE CREDITED?*

You may receive credit for all years of creditable service until you reach seventy (70) years of age.

## **FINAL AVERAGE COMPENSATION**

*(1) MAY I USE ANY OUT-OF-STATE TEACHING SALARY IN DETERMINING MY FINAL AVERAGE COMPENSATION?*

No, only salaries earned in Montana upon which contributions have been made can be used.

## **BENEFITS**

*(1) ARE BENEFITS PAID TO ME AUTOMATICALLY WHEN I BECOME ELIGIBLE?*

No, you must request the proper application forms from this office, complete them, and return them to this office to become eligible for retirement benefits.

*(2) WHEN SHOULD APPLICATION FORMS BE REQUESTED?*

You should notify this office at least 30 days prior to your retirement. Applications should be requested immediately in the event of your death or disability.

*(3) WHEN WILL I RECEIVE MY BENEFIT CHECKS?*

The benefit checks are normally mailed the last business day of each month.

*(4) MUST I DESIGNATE A BENEFICIARY OF MY ACCOUNT?*

No, but it is recommended because in the absence of a designated beneficiary, any death benefit will be payable to your estate and, as such, will be subject to estate taxes.

*(5) MAY I DESIGNATE MORE THAN ONE BENEFICIARY?*

Only if you elect payments under the Normal Form retirement. If an option is elected at the time of application for benefits, only one beneficiary can be designated.

## **TAX-DEFERRED ANNUITIES**

*(1) HOW MAY I PARTICIPATE IN THE TAX-DEFERRED ANNUITY PROGRAM?*

Application must be made at the school where you are currently employed. You will be requested to sign a "salary reduction agreement" with your employer.

*(2) MAY I TRANSFER MY TAX-DEFERRED ACCOUNT TO MY RETIREMENT ACCOUNT FOR THE REDEPOSIT OF PREVIOUS WITHDRAWALS OR THE PURCHASE OF CREDITABLE SERVICE?*

No, only a lump sum refund payable to you is available if you discontinue your participation.

*(3) IF I DISCONTINUE MY PARTICIPATION, MAY I REJOIN THE PROGRAM AT A LATER DATE?*

Yes.

*(4) WHAT BECOMES OF MY ACCOUNT IN THE EVENT OF MY DEATH?*

The balance of your account including interest accrued to the date of your death will be payable in a lump sum to your beneficiary.

## NOTES OR CALCULATIONS



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